the MORTGAGE BANKER

AUGUST 1951

Colorful San Francisco where mortgage men from everywhere will soon be gathering

this issue ★

WHAT WILL IT BE NOW — SOME DEFLATION OR ANOTHER DOSE OF INFLATION? ★ WHAT DOES SERVICING ACTUALLY COST? ★ HOW YOU HANDLE A PURCHASE-LEASE PROGRAM

the MORTGAGE BANKER

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PRESIDENT'S *Column*

VIRTUE ITS OWN REWARD?

All of us in mortgage finance under a private enterprise system have assiduously and meticulously abided by Regulation X, voluntary credit curbs and controlled material plans as patriotic and necessary adjuncts to aid the rearmanent effort and to fight the inflationary spiral. We now find that in direct contrast to this, public housing authorities are simultaneously grasping this unpatriotic opportunity to achieve the debatable goal of more and more subsidized housing.

The figures show that for the first six months of 1951 while private housing starts have decreased over 27 per cent as compared with a year ago, *public housing starts have increased 650 per cent.* For the month of June, 1951, the figures are even more startling. Private starts in June were 87,700—a decrease of 38 per cent from June, 1950. Public starts in June were 42,300—*an increase of 4700 per cent* over same 1950 month.

This transparent dishonesty of public officials substantially reducing private construction, because of a critical material situation and in order to combat inflation, and then permitting the start of thousands of public housing units in *excess* of any former building ought to be thoroughly exposed.

Here is some idea of the phenomenal character of the increase in public housing starts:

» The June public housing figure is more than 10 times the monthly average for the previous months in 1951.

» It represents nearly a third of the total June starts.

» It brings the volume for public housing to more than 10 percent of the total housing volume during the year.

We should make every effort to spread these facts on the record so that the intentions of the "public housers" will be made clear.

President, Mortgage Bankers Association of America.

There is A Great Difference

What Will It Be Now—
SOME DEFLATION? MORE INFLATION?

By RAYMOND RODGERS

WE'RE all thinking and talking about inflation and the prospects for more or less of it and what the future holds inflation-wise. But how do we think of inflation and its consequences?

Basically, inflation is a transfer of wealth between classes—debtors versus creditors; savers versus spenders; pensioners versus those with escalator clauses — because of a change in the existing relationships of economic factors. Such changes, of course, go on all the time in a dynamic economy such as ours. It is only when such changes become sharply accelerated by war, government extravagance, or public "manias" of one kind or another, that they become serious enough to cause general concern.


Raymond Rodgers

Inflation can have particularly serious consequences in a country with a large middle class and with large numbers of people depending on pensions, annuities and insurance for economic security, such as is the case in the United States.

This is so true that it is not too much to say that no responsible government will permit the forces of inflation to grow indefinitely because of the devastating effects on the middle class and those living on fixed income. Restrictive measures of increasing severity, on both the demand and supply side, are inevitable when the situation does not cure itself.

We ought to get a good, clear idea of what caused our inflation since the end of World War II, especially since Korea Day.

» It has been blamed on government spending. Without in any way defending government spending, the fact is that since the end of World War II the government has taken in more than it spent! True, spending was too high, but taxes were also very high, so the government actually took more out of the spending stream than it put in.

» It has been blamed on deficit financing, but the fact is there hasn't been any deficit financing since October, 1945!*

Demand and supply factors in their simplest form explain what happened. Supply, thanks to competitive capitalism, was expanded far beyond reasonable expectations; yet demand outran it. Part of this was due to unsatisfied demands of the war years, part to the increased earnings and savings of those years, but a very large part was due to the fear of shortages and the fear of inflation itself!

The steady stream of merchandising exhortations to "buy before it goes higher" and the torrent of press releases and radio statements from government officials, excitedly seconded by the radio commentators, as to impending shortages and the dangers of inflation, brought on to a considerable measure the very thing we were trying to avoid.

The basic inflation pressures caused by the necessity of diverting raw materials and goods to rearmament have been greatly aggravated by efforts of pressure groups to escape their share of the burden of rearmament.

Inflation, in the sense of "expansion of the means of payment," or "dilution of the money supply," as it is called by critics, has been characteristic of this country since the earliest days. Expansion of production facilities, increased productivity, and a great expansion in services (i. e., luxuries became necessities) kept pace with the expansion of money and credit, with the result that our standard of living more or less continuously increased, until today it is so high that we just can't believe that it can last.

While on the long-run basis, production saved us; on the shorter upward swings of the business cycle higher prices and relative diminution of purchasing power caused corrective reactions.

In other words, the "money ran

*Written before the treasury announced an increase of $400,000,000 in its July offering of bills which actually represents deficit financing.

Where do we go from here? Into a little deflation as some present-day economic trends might indicate or into some more inflation as the government is loudly warning us will happen if controls are not clamped on tighter?

No one knows for sure but everyone has an opinion; and here's the view of Raymond Rodgers. He thinks there is not much danger of greatly increased inflation in the near future. In fact, he thinks just the opposite, that it's the other side of the problem that should be concerning us most right now.

Dr. Rodgers is professor of finance at the Graduate School of Business Administration at New York University and is a familiar figure at MBA meetings. He has long been on the staff of our Senior Executives Course at NYU every January and this June was on the faculty of our Advanced Mortgage Banking Seminar in Chicago.

out!" There are many who feel that these correctives have lost their efficacy because of the unprecedented liquid wealth and savings in the hands of our people. In direct refutation of this viewpoint, I cite just one statistic, compiled by the Institute of Life Insurance.

» Between 1945 and 1950 individual debt in the United States rose from $34,700,000,000 to $79,500,000,000, a gain of 129 per cent for the period. This great increase in personal debt certainly shows that, $250,000,000,000 of liquid assets notwithstanding, a lot of people didn't have all the purchasing power to buy all the things they wanted! The implications are quite obvious, especially with respect to future inflationary pressures.

Rationing at the consumer level is the classic method of keeping demand within the limits of supply during emergency periods. It is doubtful that the American people in peacetime would give the necessary cooperation to make it work. Also, it is political dynamite, so it has not been attempted. (Of course, the Controlled Materials Plan, effective July 1, is a rationing of several scarce materials as between various industrial users.)

Price controls and wage controls have been inaugurated; but without rationing they cannot be expected to hold the line. It will take a great deal more to prevent a serious inflationary upswing this fall and winter when the government orders, which have been placed recently at the rate of $5 billion a month, turn into payrolls and demands for raw materials. The current oversupply of several lines of consumer goods is merely a temporary condition. The basic inflationary pressures are increasing at a rapid rate.

Recognizing the growing danger of further inflation, the life insurance companies, investment houses and commercial banks have organized Voluntary Credit Restriction Committees in both the short-term and the long-term fields, and are attempting to reduce demand by preventing the further expansion of credit for other than defense, or defense-supporting activities.

If they are successful, other measures may be avoided. If these voluntary credit controls are unsuccessful, more than involuntary ones will be invoked. And if anyone thinks the Administration doesn't have all the powers it needs to invoke 100 per cent controls, listen to these instructions of the President to a committee consisting of the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Director of Defense Mobilization:

"I should like you to consider the establishment of a committee similar to the Capital Issues Committee of World War I but operating in a broader area." Going further along these lines, he said:

"The biggest reason for my conviction that we shall not have runaway inflation is the great expansion of our already magnificent industrial facilities . . . it is impossible for me to believe that we face any serious shortages after the present rearmament pressure slackens—that is by the end of 1952 or early part of 1953."

—Raymond Rodgers

"Furthermore, I should like you to consider the necessity and feasibility of using the powers provided in the Emergency Banking Act of 1933 to curtail lending by member banks of the Federal Reserve System. These powers are vested in the Secretary of the Treasury subject to my approval. The Secretary could by regulation delegate the administration of this program to the 12 Federal Reserve banks, each to act in its own Federal Reserve District under some flexible procedure. The program could be extended to institutions other than member banks, if desired, by using the powers provided by the Trading With the Enemy Act."

The powers in the Emergency Banking Act, dated March 9, 1933, to which the President referred, appear in Section 4, as follows:

". . . during such emergency period as the President of the United States by proclamation may prescribe, no member bank of the Federal Reserve System shall transact any banking business except to such extent and subject to such regulations, limitations and restrictions as may be prescribed by the Secretary of the Treasury, with the approval of the President. Any individual, partnership, corporation, or association, or any director, officer or employee thereof, violating any of the provisions of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than $10,000 of, if a natural person, may, in addition to such fine, be imprisoned for a term not exceeding ten years."

These passages indicate beyond question that the Administration either with, or without, the cooperation of the Federal Reserve Board has ample authority to control credit extension. Note that they have the power to do this on a qualitative and selective basis, and thus could do it with practically no interference with management of the public debt. In other words, their hands may be tied by the public debt so far as quantitative credit control is concerned, but they have practically unlimited latitude on quantitative control!

Increased taxes have been advocated as a means of preventing inflation by reducing civilian demand and avoiding expansion of the government credit. But it takes more than a balanced budget to prevent inflationary losses by the public. In fact, taxes represent an erosion of value, just as does a drop in the value of the dollar. Up to a certain point —no one can say exactly where, until it is too late—taxes, by siphoning off, so-called excess, purchasing power, tend to preserve the purchasing power of each dollar, but you have left fewer dollars, so it is just about as broad as it is long. Moreover, after the critical point is passed, higher taxes themselves become inflationary.

Listen to the unanimous testimony of the Congressional Joint Committee on the Economic Report: "At some point taxation itself becomes inflationary, even though the budget is balanced. If tax burdens are so great as to shock the sense of justice or equality, some way is found to avoid them or to pass them on into higher prices. Just where the limit is, is difficult to judge, but it is to be hoped that the total expenditures may be held to 20 per cent of the national income, the balance of Federal expenditures, including veterans' benefits and interest on the public debt, to 8 per cent, and the State and local expenses to 8 per cent of the national income."

So don't relax your efforts for

economy and full value in government!

On the supply side, the country is entering the period of increased inflationary pressure, with large stocks of goods in the hands of manufacturers, merchants and consumers. In addition, the most pressing needs for housing and durable consumer goods have already been met. Moreover, the purchasing power of those whose income has not kept up with the sharp price increases of the last 12 months has decreased; and buyers' resistance is becoming noticeable in many lines, particularly beef.

These developments, especially the heavy inventory situation and the current price wars will go a long way toward keeping inflation within bounds in the months ahead.

Inflation is far more than a mere adding to the quantity of the means of payment. The so-called quantity theory of money has been overworked in this respect.

Inflation depends more on what is done with the purchasing power after it is brought into existence. It has to do with the spending pattern and saving habits of our people. For example, in recent years nearly all of our 45,200,000 family consumer units or, even more specifically, our 52,000,000 spending units, have moved into higher income levels. If each spending unit which has moved into a higher income classification could only be induced to save at the same rate as the previous occupants of that category, the most troublesome aspect of the inflation problem would be largely solved. Happily, there are some indications of a tendency in the direction of stabilizing saving and spending along the lines of the previous pattern.

One of these indications is the growing ratio of savings to disposable income. Thus, during the boom year of 1929, personal savings were 4.5 per cent of disposable income; during the subnormal year of 1939 they were 3.8 per cent; and during 1947 they were only 2.3 per cent. But by 1950 the savings ratio had risen to 5.6 per cent, and for the present year savings are expected to rise to 6.9 per cent of disposable income.

Also, whether we have serious inflation in the future will depend to a great extent on our leadership. We must never overlook the more than $250 billion of liquid assets the American people have which they could throw in against goods if they lost confidence!

But the biggest reason for my conviction that we shall not have runaway inflation is the great expansion of our already magnificent industrial facilities. During World War II, the government built $42 billion of plants and facilities. Of these, some 225 plants have been sold or leased to industry on a 90-day conversion to original military production basis. These plants constitute the Industrial Reserve. About an equal number of plants are being held directly by the government in reserve

> ***"After our present intensive rearmament program is ended, the problem of disposing of our tremendously swollen output will be the most serious economic challenge we have ever faced. I repeat: Overproduction, with its accompanying deflation, is the basic danger of capitalism—deflation, not inflation."***
>
> ***—Raymond Rodgers***

against all-out war. In addition, since the end of World War II, private industry has invested some $85 billion in plants and equipment. Now, a record-breaking capital goods expansion program of some $24 billion of plants and facilities is under way. Also, the government is doing a considerable volume of construction and expansion about which little is being said.

Adding these enormous totals to what we had before the expansion, it is impossible for me to believe that we face any serious shortages after the present rearmament pressure slackens, that is, by the end of 1952 or the early part of 1953.

In other words, the present rate of rearmament is not going on forever and ever, as some people seem to think, that is, unless we get into all-out war; high-pressure rearmament should be largely over by the end of 1952. The end of the current intensified arms programs will start a flood of consumer goods such as the world has never known! We shall have the factories, the manpower, and the tools to meet even fantastic demands. Does that look like inflation?

Price changes of the magnitude of the last 12 months disturb relationship of long-standing and lead to many false conclusions. Thus everyone complains about the present "high" cost of food and is convinced that prices are astronomical, whereas food in terms of any fixed unit, such as hours of labor, is not high at all.

For example, according to the National Industrial Conference Board, in 1914 it took a wage earner six hours a week to feed each member of his family, but in 1948 (when prices were just about as high as now), with food consumption up 20 per cent and quality much better because of freezing and modern preservation methods, he was able to feed each member with 3¾ hours of labor per week.

In the same fashion, it took 140 hours of work of our wage earner in 1914 to get a suit, overcoat, hat, shirt and pair of socks, whereas in 1948 it took only 54 hours.

Likewise, in 1914 our wage earner had to labor 96 hours to get an automobile tire which lasted for 3,500 miles (with frequent repairs), but in 1948 he could get a comparable tire for 11 hours of work, and it lasted nearer 30,000 miles!

Comparison of real purchasing power in the 1929 boom with that in the present boom may be helpful in getting perspective. In this connection, Secretary Brannan testified before a Congressional Committee at the end of April that the purchasing power of one hour of labor in 1951 compared with 1929 as follows:

	1951	1929
Bread	10 loaves	6 loaves
Milk	13.8 pints	7 pints
Steak	1.5 lbs.	1.2 lbs.
Bacon	2.3 lbs.	1.3 lbs.
Eggs	2.5 doz.	1.1 doz.
Potatoes	36.3 lbs.	17.7 lbs.
Oranges	3.2 doz.	1.3 doz.

The real measure of economic well-being is the standard of living—and it has never been higher, measured by any physical standard.

Ask the people who complain that today's prices are so much higher than in the "good old days" if they would like to return to the wage and salary scales of those days. People who would like to have a 1951 income, with 1932 price tags on what they buy, and with pre-1913 tax rates, are out of touch with reality. They forget that one man's income is another man's expense—also, they forget the social revolution which has gripped this country since 1933!

(Continued on page 15 column 2)

PURCHASE-LEASE DEALS

What They Are, How They're Put Together and Their Appeal for Large Investors

By EDWARD D. AUER

DURING the past nine years, purchase-lease transactions have caught the imagination of the life insurance industry—so much so that at March 31, 1951, $680 millions had been invested in real estate, exclusive of housing projects.

What is this relatively new financing vehicle, how does it operate, how does one go about putting a program together? Basically, here's what happens:

Edward D. Auer

The vendor corporation, or tenant, sells a property to a life insurance company and enters into a lease for a long period of years which is usually divided into a primary term and a renewal period. During the primary term, the lease is non-cancellable and provides for a net rental, payable monthly, which is sufficient to completely recover the invested funds together with a satisfactory interest return to the buyer. The tenant pays all real estate taxes, keeps the property insured and pays all maintenance costs.

In return for making a "care-free" lease which eventually reduces the investment to zero, the tenant usually expects a series of renewal options providing for substantially reduced net rentals, or an option to purchase the property at an agreed-upon amount, or both.

The lease is drawn to fit the needs of the tenant and gives it full control of the property with rights of sub-leasing, thereby creating a situation comparable to ownership.

Now why is a vendor corporation, or prospective tenant, interested in taking advantage of purchase-lease financing? Here are some:

» If the location of an existing property is satisfactory, but the fully depreciated improvements thereon are antiquated and in need of modernization or replacement, the land can be sold by the vendor corporation subject to the requirement that the buyer erect a new building on this site. If a wholly new property is to be developed, it can be designed to the specifications of the vendor corporation on a site of its choosing.

» It is a presently acceptable accounting practice for a corporation *not* to show the obligation of payments accruing under a long-term lease in its financial statement, except perhaps by a footnote which shows the amount of rent due for the next succeeding twelve-month period. Normally, a lease can be created without conflicting with a corporation's indenture provisions, and it is unlikely to become an obstacle in the event future borrowing is desired.

» The purchase-lease plan acts as a device to raise cash which can be used for the retirement of bank loans, funded debt, or to increase working capital. Depending upon the seller's objective, it may sell an existing property either at the book value or for a profit or loss subject to the payment of a capital gain or loss tax.

» When the vendor corporation leases a property from a buyer and becomes a rent-paying tenant, there is a tax advantage since rent, real estate taxes and assessments, insurance premiums, maintenance and re-

Several years ago, when the idea was rather new, The Mortgage Banker published articles by Mark Levy of Chicago on the historical background of the purchase-lease plan. Purchase-lease deals were being made extensively then but we little realized how great was the desire everywhere to know more about this innovation in financing—and, as a result, the issue quickly went out of print with hundreds of requests for copies not filled.

Since then purchase-lease has become an even more important vehicle, as Mr. Auer describes in his article which represents a slight condensation from his presentation of the subject at the Advanced Mortgage Banking Seminar in Chicago. But it's still relatively new with probably its greatest development ahead. While religious, educational and charitable organizations have been purchasing real estate for investment purposes for many years, it wasn't until 1942 that Virginia passed enabling legislation permitting any life company domiciled in that state to acquire ownership of real property by outright purchase for investment purposes. North Carolina passed a similar law in 1943. The idea developed rapidly and became identified as the purchase-lease plan. With various amendments, laws have been passed in other states until now states permit ownership of real estate with a limitation ranging from 3 per cent to 5 per cent of the assets of the life company.

Here Mr. Auer takes the purchase-lease idea from the beginning, how it developed, how the deals originate and how they are consumated. And he tells the hazards often encountered in the operation. For instance, there is the problem of an option to repurchase—and here the Internal Revenue Department has some definite ideas. And what about defaults? He gives the remedies in that event.

And—as in just about everything else having to do with financing these days—the new fiscal policy resulting from the federal reserve-treasury accord not to support governments at par, exerts an influence. Mr. Auer tells you why and says "it follows that rents under the purchase-lease plan will be increased to include higher interest charges."

Mr. Auer is vice president of The Lincoln National Life Insurance Company and widely known in the mortgage industry. His company has been a leader in this type of financing and he tells you why they think it's good business.

pair costs are a charge against earnings and, therefore, reduce income tax payments.

» For tax purposes, the Internal Revenue Department prohibits depreciation of land. Under the purchase-lease plan, the effect of land depreciation is accomplished because rental payments are designed to amortize the entire cost of both land and improvements during the non-cancellable primary term of the lease. This is especially important when the land value represents a high proportion of the total cost.

Assume that a corporation constructs a new building and by continuing direct ownership of the property, is entitled to a depreciation allowance of 2 per cent per annum, based on an anticipated life of 50 years. This depreciation becomes accelerated, so to speak, through the sale of the property under the purchase-lease plan since the primary term of the lease usually is written for 20 to 30 years and the investment is completely amortized within that term.

» Once a purchase-lease transaction between a life insurance company as landlord and the vendor corporation as tenant has been completed and the general lease terms approved, it is relatively simple to complete other purchases with the same tenant without lengthy negotiations. This is important to any corporation conducting business on a nation-wide basis where hundreds of locations are involved and quick decisions are often vital from a competitive standpoint.

And isn't it axiomatic that aside from these advantages, a vendor corporation capable of earning 20 per cent or more after federal income tax can well afford to use operating capital to manage its merchandising or manufacturing business rather than invest this same capital in real estate which produces, at best, a 5 per cent or 6 per cent return?

"The price of these (purchase-lease) properties, properly developed and leased, is usually determined by the entrepreneur-developer on a formula which is expressed as so many times the annual net rental. Very often, the sales price is 20 per cent greater than the actual current replacement cost of land and improvements. This example clearly shows that credit is the major consideration and the property secondary."

—Edward D. Auer

Granting, then, that the purchase-lease plan is logically attractive and provides direct benefits to the prospective tenant, consider some of the factors a life insurance company encounters in developing this type of investment.

Since these leases are for protracted periods and more than one generation of management is, or may be involved in the conduct of the tenant's business, it is vitally important that the credit of the tenant meet certain tests. It must have a long record of profitable operation with a consistent dividend-paying record and a reputation for integrity in meeting financial obligations. The industry in which the lessee is established must be a basic one, able to endure cyclical changes in our economy.

Lease terms depend largely upon the quality of the lessee credit:

» First-line credits warrant the maximum primary lease term, possibly as long as 40 years, and the lowest interest factor in determining the rental. Reliance on the value and type of real estate to be purchased is relatively less important.

» With a medium credit, the primary lease term is shortened, the interest factor increased, and the true value of the real estate becomes highly significant.

» A poorer credit would have little attraction unless compensating advantages were present in the form of important well-located real estate purchased at a bargain price, a correspondingly short lease, and an extremely attractive rental.

Naturally, a life insurance company prefers to acquire ownership of real estate improved with a modern air-conditioned building designed for the specific use of a tenant engaged in retail merchandising business on a national scale. The property should be located in the 100 per cent shopping area of a good city, or in the best suburban area of a good community with ample parking facilities surrounding it. The tenant in this

case would have the highest credit rating.

The number of such properties of course is limited and they are eagerly sought after by private investors and financial institutions. The price of these properties, properly developed and leased, is usually determined by the entrepreneur-developer on a formula which is expressed as so many times the annual net rental. Very often, the sales price is 20 per cent greater than the actual current replacement cost of land and improvements. This example clearly shows that credit is the major consideration and the property secondary. Many life companies refuse to invest in properties of this description in the belief that the purchase price should never exceed the duplication cost.

Insofar as the life insurance company is concerned, the decision to grant the tenant an option to renew the lease or to purchase the property is a question of business judgment. Extremely low rentals in the renewal periods or repurchase terms at less than the actual value of the real estate simply take the romance away from the purchase-lease plan. Yet, competition between investors vying for opportunities to invest their funds securely has made the granting of low rentals during the renewal periods a common practice. To my mind, there is no sound reason why the rent in the option periods should be less than the fair rental value of the property, and I believe that the inclusion of these low-rental options and repurchase rights at less than the actual value of the property is unwise.

The Internal Revenue Department looks askance at options to repurchase with the result that some favorable tax benefits may be lost to the tenant. There is the danger that the entire transaction is apt to be construed as a mortgage or a purchase contract and not as a lease. Many types of purchase options have been devised with the thought that they will comply with federal tax requirements. I do not know of any court decision which clarifies this problem, but opinions and rulings by the Treasury Department indicate rather clearly that there is danger, insofar as the tenant is concerned, in any option to purchase the property at a price lower than the current market value existing at the time the purchase is made.

Suppose a tenant defaults in the covenants of a lease. What are the remedies given the landlord?

First, the term of the lease may be declared at an end and the landlord may re-enter the premises after the giving of such notice as the lease may require; or the landlord may, without terminating the lease, elect to sue periodically for all rents and damages which have accrued to date; or, the landlord may, without terminating the lease, retake possession and let the premises for the best rent obtainable, requiring the tenant to make up any deficiency month by month as well as costs and expenses incurred.

Other Remedies

If the tenant is adjudged a bankrupt or files under Section 77-B of the Bankruptcy Act, the court appoints a trustee. If the trustee in bankruptcy assumes the lease, he is liable under its terms. If, however, the lease is rejected, the maximum rent to which the landlord is entitled cannot exceed one year's rental next succeeding the date of surrender of the premises by the tenant or the date the landlord re-enters the premises, whichever act occurs first whether before or after bankruptcy.

But suppose the tenant files under the Chandler Act for reorganization. If the Trustee appointed by the Court rejects the lease, the maximum rental to which the landlord is entitled is equal to three year's rent next succeeding the date of re-entry by the landlord, or the date the premises are surrendered by the tenant, whichever act occurs first. Should the trustee elect to continue with the lease, in which case he becomes liable under its terms, the rental is set by the Court for what is a *"reasonable length of time."*

If the lease has been well prepared and contains adequate provisions for termination at the option of the landlord on the happening of insolvency, bankruptcy, reorganization under the Bankruptcy Act, or assignment for the benefit of creditors, the landlord may escape from the hazards which otherwise confront him in the event of bankruptcy or reorganization under the Bankruptcy Act. In many instances, it would be preferable to re-take possession of the premises immediately, free of the lease, rather than await the action of the Bankruptcy Court and action by the Trustee.

There are hazards inherent in the ownership of real property. The ordinary purchase-lease transaction is based on the assumption that a certain net amount will be received by the landlord over a period of time. This presupposes that the tax liability of the landlord will remain constant during the term of the lease, and this may be wishful thinking. It is recognized by government that there is a practicable maximum amount that may be taken from its citizens by any one form of tax. This is particularly true of an ad valorem tax on real estate.

When this practicable maximum has been reached as to any one particular form of tax, it then becomes necessary to devise new and different forms of taxation such as income tax, a tax on tangibles or on the receipt of rentals, or a privilege tax for doing business imposed by a state or city or both. Taxation in some of these forms has already been adopted by certain states and cities.

In negotiating a long-term lease, it is impossible to foresee the particular kinds of tax which may be imposed on the landlord during the years to come. Certainly, a careful landlord will insist upon some language in the lease to protect him against any such shifting of the tax burden from the tenant to the landlord.

Although contrary to his expectations at the time of negotiating the lease, the landlord may find that he is the owner of a non-income producing parcel of real estate long before the stated expiry date of the term. If the property is merchantable, well-located and in demand, it should be a simple process for the landlord to liquidate or secure a tenant to continue in the premises at a satisfactory rental. If the property in distress is special-purpose in design, poorly located, and the number of prospective buyers or tenants is limited, there is a good chance that heavy loss will be suffered, not only in court costs and management but in the eventual disposition of ownership.

A lease is not a general claim on a corporation's credit as in the case of a bond or debenture. Because of the greater risk to the landlord if a default occurs in the lease, property purchases produce a yield approximately ½ per cent to 1 per cent higher than bonds or debentures. The better yield is one reason insurance companies are willing to invest funds in income-producing real estate.

On March 8, 1951, the long debate between the Treasury Department and the Federal Reserve Bank over the cheap money policy came to a conclusion and government bonds were no longer supported, with the result that they are now selling below par. This action came as a surprise to most investors who were carrying heavy commitments to buy mortgage loans, bonds, and other investments at interest rates which prevailed prior to last March. Many investors planned to sell government bonds to meet these commitments as they came due. However, to do so now would result in a loss of more than $30,000 for each million dollars of bonds liquidated. To put it another way, it is like paying a 3 per cent premium to buy new securities.

Overnight, borrowing became more difficult. The Federal Reserve Bank's discount rate increased and all banks in turn boosted the cost of call money by approximately ½ of 1 per cent, the expense of all other forms of borrowing increasing proportionately. Rates on the highest quality corporate bonds have already moved upward ½ per cent. Mortgage interest rates are up as much as 1 per cent. It follows that rents under the purchase-lease plan will be increased to include the higher interest charges.

Here is my own Company's attitude toward the purchase-lease plan.

Pioneered in Developing

The Lincoln has been one of the pioneers in developing it. Thus far, we have acquired 68 parcels in 16 states for an aggregate volume of over $12 million. We regard direct ownership favorably because it is unnecessary to reinvest the cost of this real estate at frequent short intervals as with mortgages. The investment is simplified since the lease terms free us from management.

On all property purchases, we have placed emphasis on a non-cancellable lease with a fixed rental sufficient to recover our entire investment within the primary period together with a satisfactory interest return. Recently, however, we completed a different type of lease providing for a rental based on a percentage of gross sales. There is no minimum or fixed rental, but the tenant does agree to operate the property with a full stock of merchandise and adequate personnel for 20 years. The investment approximates $200,000.

Insofar as our Company is concerned, this percentage lease is a departure from the lease which we have used. It is an attempt to find a hedge against inflation in that our rentals will increase correspondingly with higher priced merchandise and will be reflected in gross sales. We would be willing to consider the purchase of several more properties controlled by percentage leases provided we can select the real estate and the tenant.

While we favor direct promotion of large business and shopping centers, our Company, because of the limited scope of its activities, hasn't seen fit to establish an Engineering and Construction Department. We intend to stay in the field of finance and rely on the promotional efforts of others to undertake the formation of these developments. We prefer to issue our commitment to buy the completed project if it is properly leased.

On occasion and under special circumstances, a corporation will seek to find a buyer for its real estate at a price in excess of the book value at which the property is carried. If the sales price is equal to the sound value of the property, we can see nothing wrong with the terms of sale except that it is an expensive method for the seller to raise money since the capital gains tax must be based on the profit taken. We discourage any effort to sell a property for a sum higher than the sound value of the real estate.

So far we have only discussed qualifications of the purchase-lease plan and outlined required lease provisions if the plan is to accomplish what is intended, namely, to give the tenant unmolested use of a property at a fair rental and enable the landlord to hold a high-quality investment with a minimum of care and expense.

(Continued on page 15)

NORTHWESTERN UNIVERSITY WILL NOW CO-SPONSOR MORTGAGE BANKING SEMINARS WITH ASSOCIATION

THE MBA activity which many members who see it in operation describe as "the best thing the Association does"—our annual Mortgage Banking Seminar—has just rounded out its fourth year. It was the most successful program held so far and incorporated the results of many trial-and-error experiences of the past to produce one of the most finished and productive educational courses conducted by any organization in the country. That appraisal of its merit comes not only from experienced mortgage men, both lenders and investors who have personally witnessed its operation, but from men whose business is successful education. One regrettable fact about the Seminar, as so many have remarked, is that, as one of the most constructive activities of the Association, it is also the one that relatively few members themselves see at first hand.

Seminar this year was actually two—the regular Mortgage Banking Seminar lasting for a week followed by the Advanced Mortgage Banking Seminar lasting for three days. Both are matters of record now and *The Mortgage Banker* does not have the space to record even the briefest part of the thousands of words of lectures and discussions at both Seminars. For the record, let it be noted that great credit should accrue to the MBA headquarters staff, principally Secretary George H. Patterson as registrar and Frank J. McCabe, Jr., director of education and research, for their year-long planning and execution of the course in cooperation with one of the ablest committees ever to work on an MBA project. That committee group includes Thomas E. Lovejoy, Jr., chairman of the Educational Committee; Lindell Peterson, vice chairman, Seminar Division; Robert H. Pease; George H. Dovenmuehle, Jr.; Gerald A. Golden; Milton S. Olson; Homer C. Bastian; Andrew S. Love; O. L. Rieder; and Stanley Fosgate.

The Mortgage Banking Seminar faculty included men who are recognized as authorities in their respective fields, Robert H. Armstrong, Franklin Briese, Homer V. Cherrington, William A. Clarke, Allyn R. Cline, James C. Downs, Jr., Gerald A. Golden, Edgar N. Greenebaum, A. A. Johnson, Robert Kratovil, Walter R. Kuehnle, William L. Leighly, Nathan Manilow, Joseph E. Merrion, Samuel E. Neel, Walter C. Nelson, Robert E. O'Dea, Robert H. Pease, O. L. Rieder, C. Fred Sheppard, Everett C. Spelman, J. Truman Streng, Herman O. Walther and Carey Winston.

The Advanced Mortgage Banking Seminar faculty was an equally impressive group, Edward D. Auer, Cecil R. Campbell, Miles L. Colean, George T. Conklin, James C. Downs, Jr., A. A. Johnson, Edward L. Johnson, Joseph R. Jones, Philip M. Klutznick, William L. Leighly, Francis J. Ludemann, Thomas E. McDonald, John M. McGill, Seward H. Mott, Robert H. Pease, Roland R. Randall, Alfred R. Raney, Raymond Rodgers, James W. Rouse, Everett C. Spelman and Milford A. Vieser.

Also for the record is the complete list of those who attended both courses. MBA members who have not

MBA in Education: The 1951 Mortgage Banking Seminar group, more than 100 students and the largest class this activity has registered.

attended a Seminar or have not sent members of their staff to it, might glance through the list now and note the type of institution represented. Life companies are prominent there, many of the largest and most successful correspondent firms, some of our largest banks, a number of fraternals, fire and casualty companies, many leading title companies and several savings and loans associations. Thus, the Seminar is for everyone and every type of firm with an interest in mortgages—a fact many members might note well now in looking around their offices with an idea as to what personnel might become a better investment if exposed to the authoritative experience of those who make up the Seminar faculty.

While most MBA members probably think the Mortgage Banking Seminar has been a joint undertaking of MBA and Northwestern University these past four years, the fact is that it has not. MBA has sponsored it alone — *at* Northwestern. The University's physical facilities have been used but the planning and execution have been ours, that is the Seminar section of the Education Committee and Secretary Patterson and Mr. McCabe.

Now something new has been added—Northwestern University will in the future act as co-sponsor with MBA. However, the general plan remains; it will still be an MBA project from beginning to end. But Northwestern University will now add its sponsorship and will name a representative to consult with the Seminar section. Acting Dean Ernest C. Davies of the School of Commerce made the announcement at the opening day.

Both MBA President Milton T. MacDonald and Vice President Aubrey M. Costa attended the Seminar and addressed the students. President MacDonald emphasized the pride MBA takes in this effort to furnish a week on intensive training and instruction in the mechanics and procedure of modern-day mortgage lending. What we are doing, he said, is make it possible for the industry to make a sound investment in the future through the proper instruction of those who will be making the decisions in future years. Vice President Costa told the students that MBA will make every additional effort it can contrive to carry on a program of making it easier for younger men and women in the business to advance their careers. One of these things will be a special breakfast meeting at the San Francisco convention where those under 35 can get together to explore and discuss problems of the industry.

The Seminar is unique in a number of ways—first, it's the only course in mortgage lending and investing available anywhere. And it's unique in that here the students grade the speakers. Students are given forms on which they grade each faculty member as to his familiarity with his subject and his ability to present his knowledge and experience. Sometimes the grades are not too close, but the faculty seems to like the system. Around the corridors you'll find them jesting about their added preparation "to make a good grade." (And for the benefit of those who spoke at the 1951 courses, no speaker got a poor grade. Grades were high this year, confirming the Seminar Committee's

MBA in Advanced Education: The group who attended the first Advanced Mortgage Banking Seminar. They're a little older here and include some men at the very top level in the mortgage lending industry. In this group are 12 who had previously attended the Mortgage Banking Seminar the week before; the others are new. Later, the Education Committee will announce plans for a Completion Certificate for those who attend both courses and write an acceptable paper on some subject related to mortgage lending.

belief that it had assembled the best men in the country for the subjects selected.)

Those at the Mortgage Banking Seminar were:

ARIZONA: *Phoenix,* Clarence A. Suggs, Western American Mortgage Company.

CALIFORNIA: *Bakersfield,* Charles A. Ross, Ross & Son; *Beverly Hills,* Vaughn J. Cook, Beverly Hills Securities Co.; *Los Angeles,* William A. Brown, Ralph C. Sutro Co.; Philip M. Rea, Philip M. Rea Company; *San Francisco,* Chas. W. Corbitt, Norris, Beggs & Simpson.

COLORADO: *Denver,* C. Donald King, The King Mortgage Co., Inc.; Edwin E. Emrich, The Title Guaranty Co.; Raymond H. Schreiner, Western Securities Co.

CONNECTICUT: *Hartford,* M. C. Bartram, Jr., Connecticut General Life Insurance Co.

FLORIDA: *Jacksonville,* James H. Kidd, American Title & Insurance Co.; G. J. Hoffman, Jr. and Mrs. Clo A. Grimes, Stockton, Whatley, Davin & Co.; Raymond K. Mason, W. M. Mason & Co.; *Miami,* Gerard Deneil, Allied Investment Corp.; *Orlando,* James H. Snellings, American Fire & Casualty Co.; J. W. Tucker, Tucker & Branham, Inc.

GEORGIA: *Atlanta,* Elwyn V. Hopkins, Etheridge & Vanneman, Inc.

ILLINOIS: *Chicago,* Miss Ella Jelinek, Dovenmuehle, Inc.; James S. Pieronnet and Joseph C. Sparesus, First National Bank of Chicago; L. S. Rosenblatt, H. F. Philipsborn & Company; J. L. Huntington, L. J. Sheridan & Co.; Alan B. Fuller, Western & Southern Life Insurance Co.; Robert H. Wilson, Percy Wilson Mortgage & Finance Corp.; William M. Donne, Youngberg-Carlson Co.; Hugo M. Friend, Greenebaum Investment Co.; *Evanston,* Robert J. Newman, Coonley and Green, Inc.; *Granite City,* William M. Taylor, Mercantile Mortgage Co.

INDIANA: *Evansville,* Jewell L. Merritt, Carter Mortgage Corp.

IOWA: *Davenport,* R. E. Orr, Iowa Securities Company; *Des Moines,* K. E. Best and D. R. Olson, Equitable Life Insurance Company of Iowa; D. L. Middleton, Security National Bank; *Waverly,* W. H. Perkins, Lutheran Mutual Life Insurance Company.

KENTUCKY: *Louisville,* Creighton B. Hess and Henry Mann, Louisville Title Insurance Company.

LOUISIANA: *Shreveport,* Elmer N. Simon, Jr., Louisiana Mortgage & Investment Corp.

MARYLAND: *Baltimore,* George G. Radcliffe, The Baltimore Life Insurance Co.; Bedford Chapin, Walker & Dunlop, Inc.

MASSACHUSETTS: *Worcester,* Kevin M. Earls, Worcester Federal Savings & Loan Association; Geoffrey W. Lennan, Worcester Five Cents Savings Bank.

MICHIGAN: *Detroit,* William L. Lanphar, House of Lanphar; Harold Berry, Wolverine Mortgage Co.; *Lincoln Park,* Herbert Smith, Security Bank; *Marquette,* Young Kaufman, First National Bank & Trust Co.

MINNESOTA: *Minneapolis,* Gordon D. Seibert, David C. Bell Investment Co.; Paul F. Brown, Nickels & Smith Co.; *St. Paul,* Harold Hartley, Minnesota Mutual Life Insurance Co.

MISSOURI: *Kansas City,* William B. Thompson, City Bond & Mortgage Co.; Rex Darby, Kansas City Life Insurance Company; *St. Louis,* Bruce Branch, Dolan Company; Lynch Steiner, Dolan Company; Lester A. Craig, First National Bank.

MONTANA: *Helena,* Frank A. Flanagan, Western Life Insurance Co.

NEBRASKA: *Lincoln,* Mrs. H. A. Atkinson and Charles A. Darche, Woodmen Accident Co.; *Omaha,* Charles A. Rasmussen, Western Securities Co.

NEW JERSEY: *Camden,* I. J. Summers, South Jersey Mortgage Co.; *Elizabeth,* Robert Guempel and Philip Woodward, Jersey Mortgage Co.; *Jersey City,* Louis Meyer, J. I. Kislak Mortgage Corp.; *Newark,* William F. Haas, Franklin Mortgage & Title Insurance Co.; Miss Jeri Jellison, J. I. Kislak Mortgage Corp.; *Paterson,* Paul J. Dutko, Bankers Mortgage Company.

NEW YORK: *Binghamton,* Robert J. Nash, The Binghamton Savings Bank; William F. Treyz, The Binghamton Savings Bank; *Buffalo,* James L. Ammon, Erie County Savings Bank; Miss Cecelia Klein and Miss Audrey Westergren, H. J. Ludington Company; *New York,* Meyer Schwartz; Walter Mahlstedt, Teachers Insurance & Annuity Association of America; *Rochester,* Miss Helen MacDonald and Mrs. Helen Ritzenthaler, H. J. Ludington, Inc.

NORTH CAROLINA: *Greensboro,* R. E. Southworth, Pilot Life Insurance Co.

OHIO: *Akron,* Doral R. Lewis, Evans Savings Association; *Cincinnati,* Henry B. Bunker, The Western & Southern Life Insurance Company; Thomas W. Clements, Lewis A. White Co.; *Cleveland,* Donald Grentzer and C. W. Mead, Fraser Mortgage Company.

OREGON: *Portland,* Howard M. Hughes, Commonwealth, Inc.

PENNSYLVANIA: *Pittsburgh,* Wilmer A. Pracht, W. A. Clarke Mortgage Company; *McKeesport,* Fred H. Branditz, The First National Bank; *Philadelphia,* Byron A. Aldridge, The Western Saving Fund Society of Philadelphia; *Pittsburgh,* Donald R. Sterrett, Murrer and Philips, Inc.

RHODE ISLAND: *Providence,* John J. Ahearn and Fred Rayner, Industrial Trust Company.

SOUTH CAROLINA: *Greenville,* John W. Arrington, III., General Mortgage Company.

TENNESSEE: *Chattanooga,* John Gass and Christopher Moore, The Volunteer State Life Insurance Company; *Nashville,* John H. Tipton, Jr., and A. E. Quinn, Jr., The National Life and Accident Insurance Company.

TEXAS: *Austin,* Kenneth R. Pringle, D. L. Welch & Company, Inc.; *Houston,* James Brown and R. P. Russell, T. J. Bettes Company; *San Antonio,* G. Marvin Watson, The Richard Gill Company.

VERMONT: *Montpelier,* Donald H. Tetzlaff, National Life Insurance Company.

WASHINGTON: *Seattle,* Paul F. Marsh, Seattle-First National Bank.

WEST VIRGINIA: *Charleston,* Artist T. Taylor, Home Mortgages, Inc.

WISCONSIN: *Milwaukee,* Robert C. Eschweiler, A. L. Grootemaat & Sons, Inc., Edward S. Ciechanowski, A. C. Sehrt Company; *Racine,* Peter E. Swinscoe, L. L. Freeman, Inc.

And at the first Advanced Mortgage Banking Seminar were:

ARIZONA: *Phoenix,* Clarence A. Suggs, Western American Mortgage Company.

CALIFORNIA: *Beverly Hills,* Vaughn J. Cook, Beverly Hills Security Company; *Los Angeles,* William A. Brown, Ralph C. Sutro Company.

COLORADO: *Denver,* T. W. Fiessa, D. C. Burns Realty & Trust Company; Joseph Farber, The Kassler Mortgage Company; Ralph T. Brigham, The King Mortgage Company, Inc.; W. Braxton Ross, Morrison and Morrison, Inc.; C. Fred Sheppard, The Title Guaranty Company; H. F. Thomas, Western Securities Company.

CONNECTICUT: *Hartford,* Prescott H. Finley, Connecticut General Life Insurance Company.

DISTRICT OF COLUMBIA: *Washington,* Roger W. Hatch, Walker & Dunlop, Inc.

FLORIDA: *Jacksonville,* James H. Kidd, American Title & Insurance Company; G. J. Hoffmann, Jr., Stockton, Whatley, Davin & Co.; Guy W. Botts, American Title & Insurance Company; *Miami,* Dan J. Powis, Stockton, Whatley, Davin & Company; *Miami Beach,* A. L. Brown, Federal Title & Insurance Corp.

ILLINOIS: *Chicago,* Roy E. Gately, Chicago Title and Trust Company; Clyde M. Buettner, Dovenmuehle, Inc., Theodore H. Buenger, Dovenmuehle, Inc.; Harry N. Gottlieb, Jr., Draper and Kramer, Inc.; Morris Levinkind, Kahn-Levinkind, Inc.; Andrew H. Dick, Lake Michigan Mortgage Company; John J. O'Brien, New York Life Insurance Company; H. F. Philipsborn, H. F. Philipsborn & Company; C. A. McElvain, Western & Southern Life Insurance Company; William M. Donne, Youngberg-Carlson Company; Christine Selbach, Youngberg-Carlson Company; Jordan Tark, Main State Bank; Robert Wilson, Percy Wilson Mortgage & Finance Corp.; *Evanston,* E. G. Graff, Washington National Insurance Company. Corp.

IOWA: *Davenport,* W. E. Hey, Iowa Securities Company; *Des Moines,* John K. Benoit, Equitable Life Insurance Company of Iowa.

KANSAS: *Coffeyville,* Cale Oden, Coffeyville Loan & Investment Company.

LOUISIANA: *Shreveport,* Travis A. White, Louisiana Mortgage & Investment Corp.

MARYLAND: *Baltimore,* Dudley Shoemaker, Jr., Baltimore Life Insurance Company; George H. Schmidt, The Title Guarantee Company; Walter Koppelman, Jr., Walker & Dunlop, Inc.

MICHIGAN: *Detroit,* Edson N. Burton, Burton Abstract and Title Company; Hans Gehrke, Jr., First Federal Savings & Loan Assn. of Detroit; Ralph Talbot, Lang-Heenan and Company; B. Ward Smith, Lawyers Title Insurance Corp.; W. Emerson Clyma, Standard Federal Savings & Loan Association.

MINNESOTA: *Minneapolis,* Robert J. Crabb, Investors Diversified Services Inc.; F. C. Ewald, Northwestern National Life Insurance Company; *New Ulm,* H. R. Feuerhelm, State Bond & Mortgage Company; *St. Paul,* Lloyd A. Fisher, H. & Val J. Rothschild, Inc.

MISSOURI: *Kansas City,* Rex Darby, Kansas City Life Insurance Company; *St. Louis,* Erich C. Wagner, First National Bank in St. Louis; Edwin W. Hudspeth, Maginn-Martin-Salisbury, Inc.; *Webster Groves,* Charles D. Thursby, The Reliable Life Insurance Company.

MONTANA: *Helena,* Frank A. Flanagan, Western Life Insurance Company.

NEBRASKA: *Columbus,* P. R. Hockenberger, Becher, Hockenberger & Chambers Company; *Lincoln,* Helen A. Atkinson, Woodmen Accident Company; *Omaha,*

(Continued on page 18)

SEMINAR NEWSREEL: Some informal shots at the Mortgage Banking Seminar in Chicago. Secretary George H. Patterson, photographer, and Frank J. McCabe, Jr., directing the picture taking. Left to right you see:

No. 1 — DISTAFF SIDE: Clo Anne Grimes, Jacksonville, Fla.; Ella Jelinek, Chicago; Helen Macdonald, Rochester, N. Y.; Jeri Jellison, Newark; Audrey Westergren, Buffalo; Helen Ritzenthaler, Rochester, N. Y.; Cecelia Klein, Buffalo; Artist T. Taylor, Charleston, West Va.

No. 2 — Kenneth R. Pringle, Austin, Texas; Philip M. Rea, Los Angeles.

No. 3—Thomas W. Clements, Cincinnati; G. J. Hoffman, Jr., Jacksonville, Fla.; Ella Jelinek, Chicago; Lynch Steiner, St. Louis; R. P. Russell, Houston.

No. 4—Vaughn J. Cook, Beverly Hills, Calif.; Artist T. Taylor, Charleston, West Va.; A. A. Johnson, Upper Darby, Pa.; Charles A. Rasmussen, Omaha; Rex Darby, Kansas City, Mo.

No. 5—Gordon D. Seibert, Minneapolis; James S. Peironnet, Chicago; William M. Taylor, Granite City, Ill.; Joseph C. Sparesus, Chicago; James Brown, Houston; Allyn Cline, Houston.

No. 6 — Kenneth R. Pringle, Austin, Texas; Raymond K. Mason, Jacksonville, Fla.; Clo Anne Grimes, Jacksonville, Fla.; James A. Kidd, Jacksonville, Fla.

No. 7—Gerard Deneil, Miami; Allyn Cline, Houston; Alan B. Fuller, Chicago; Donald R. Sterrett, Pittsburgh; G. J. Hoffman, Jr., Jacksonville, Fla.

No. 8 — Meyer Schwartz, New York; Charles A. Ross, Bakersfield, Calif.; Edward Ciechanowski, Milwaukee.

Achieving Most Efficient Work Day Goal of This New Office Layout

Above Company's new modern exterior and, right, partial view of main floor showing general departmental divisions. Other view shows use of modern movable files, a time and energy saver for employees. Below, office layout of ground floor and balcony illustrating Company's idea as to how a mortgage loan operation can function best through proper location of departments.

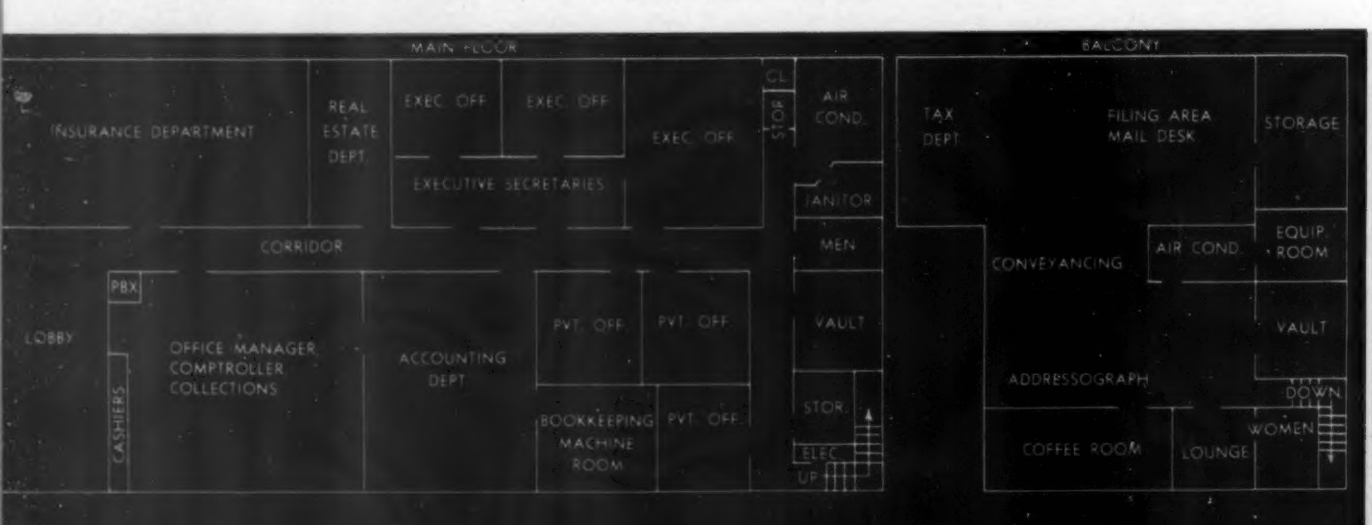
THE new offices we've looked at in recent months in this series on modern mortgage loan company layouts were mostly concerned with companies which had to have more space. Officials, in many instances, built their own buildings, many of them away from the central business areas. Others extensively remodeled quarters in the central areas. All over the country activity has been rather high in improving the quarters in which mortgage lending is transacted. Practically every single thing new in modern office design has been seen in one or more of the new layouts we've looked at in this series.

Down in Dallas is another new mortgage loan office where the motivating influence was a little different. Early last December when the thermometer stood at 12 degrees—that's in Dallas, remember—officials of the Southern Trust & Mortgage Company were routed from their slumber to watch a fire consume the greater portion of the two-story building where their offices are located. Files withstood the flames and almost at once temporary quarters were secured in a building formerly used by a bank—and within two days officials had drafted plans for permanent quarters at the location of the destroyed building.

The firm elected to remain in the old location in the central area. But now that there was to be a new start in designing and planning an office, officials quickly realized that there were a great many things they would like to do with the space they worked in, changes to be affected, re-arrangements to be made.

The company formerly occupied a space 30 x 100 feet on the ground floor and 30 x 40 feet on the mezzanine of a downtown building. Plans for rebuilding gave them a space 50 x 100 feet — 5000 square feet on the ground floor and 2300 square feet on the mezzanine, a total of 7300 square feet compared to the original 4200. Efficient supervision of the reconstruction effort enabled the company to be back in its new business home four months and nine days after the fire.

In planning the new office, major



emphasis was placed on giving each department sufficient space in which to conduct its work in the most efficient manner. Each department was allocated 50 to 100 per cent more space than it had occupied before the fire, and was so placed as to expedite the flow of work. Main floor space was provided for all executives and for all others likely to have dealings with customers, while operations that did not generally involve contact with the public—files, conveyancing, tax, mail desk, and addressograph—were relegated to the mezzanine.

All efforts were extended toward making the new office a pleasant place in which to work and toward correcting the flaws in arrangement which experience had revealed. A soundproof room was provided for the bookkeeping machines, an intercom system was installed between the cashier and the accounting department, a dumbwaiter was added to permit delivery of files from the mezzanine to executives on the main floor, and special telephone equipment was provided to expedite handling of calls by secretaries.

A coffee room originally set up solely for the benefit of the employees has proven itself of equal value to management, in that this arrangement has reduced considerably the time formerly spent by employees in waiting for service at the traditional corner drug store.

Reversing a current trend, the administrative executive offices were completely walled in to afford their users greater privacy. Before the fire, all executive offices were of the bank-type, glass-enclosed variety, and experience had shown them to be less desirable for top executive use.

Importance of Location

Where should a mortgage loan company be located? There are three schools of thought—first, a downtown location with ground floor space—second, upstairs space in a downtown office building—third, a suburban location—and we've described all three types in this series.

The officers of Southern Trust and Mortgage Company have long been firm believers in the idea that their company's ground floor location in the heart of Dallas' banking and financial district affords a tremendous opportunity to render better service to customers. Inasmuch as virtually all Dallas loans are closed at title companies and the majority of these are within a two block radius, the location is a marked advantage to loan producers, title men and borrowers alike. The presence of the two largest banks in Texas directly across the street simplifies the transaction of banking business and makes convenient the referral of new loan business by the banks.

The institutional advertising value of the ground floor location in the downtown area is great—the company's offices are exposed to the view of constant automobile and pedestrian traffic. The advantage of keeping a firm's name before the public is obvious and the downtown location is considered to be a valuable supplement to other types of institutional advertising in accomplishing this purpose.

DEFLATION? INFLATION?

(Continued from page 5)

Nonetheless, it gives a totally false impression to compare the depressed prices of the '30s, when we were suffering the greatest depression in our history, with the prices which prevail today, at the peak of the greatest peacetime boom in our history, on top of which we are now superimposing a rearmament boom. These prices at both ends are extremes, and should be recognized as such. The thing to remember is that American prices have a habit of going down as well as up, as a lot of businessmen have been learning the hard way in the last three months!

My conclusions are:

» Inflation is strictly man-made. There are no iron-bound or hide-bound economic laws that determine its intensity. It's entirely up to us. If we want it, we can have it! If we don't, we can largely avoid it.

» Even the communists admit that the great weakness of competitive capitalism is *overproduction*—in fact, they claim the tendency to overproduce will destroy it. Let us, at least, have as much faith in our ability to produce as the communists!

» After the present intensive rearmament program is ended, the problem of disposing of our tremendously swollen output will be the most serious economic challenge we have ever faced. I repeat: Overproduction with its accompanying deflation is the basic danger of capitalism—*deflation,* not inflation!

PURCHASE-LEASE PLAN

(Continued from page 9)

I haven't discussed the justifiable criticism of the real estate fraternity that once title to a property is vested in a life insurance company, it becomes lodged there permanently and brokers are thus deprived of the opportunity to resell such properties and earn future commissions.

Purchases which we have made under this Plan have been consummated as between the principals. We find it necessary to negotiate with about 25 prospective tenants for every purchase completed. If real estate brokers will familiarize themselves with the Plan, they should find a lucrative source of income by representing prospective tenants. Commissions are paid directly by the tenant or included in the cost of the property.

WHAT DOES SERVICING Actually Cost?

Do you know? One mortgage banker says he knows right to the penny; and here is the formula he uses in arriving at his costs

By W. B. PHILIPS
President
W. B. Philips & Company
Birmingham

EVERYONE, everywhere is more cost-conscious these days than at almost any time in the past. And that applies to the cost of lending as in everything else. The cost of servicing is important, vitally important, because a mortgage banker's chief source of income over the years will be from his participations. And in interest participations we are dealing with a fixed rate of return over a long period of time—and we ought to know pretty accurately what our costs are.

To know our cost of servicing we use a very simple formula. You may not agree with it or think it's sound but it's the one we use and have found satisfactory. It works like this:

» To obtain the average number of loans for the year, take the number at the beginning of the year and the number at the end, add and divide by two.

» To obtain the average principal balance for the year, take the principal balances at the beginning of the year and the principal balances at the end, add and divide by two.

» To obtain the average principal balance per loan, divide the average number of loans into the average principal balance of all loans.

» To obtain the cost of servicing, divide the total interest participation received by the total income from the mortgage loan department. Then apply this percentage to total expenses of the mortgage loan department.

In 1943 our average participation was .529 or an average of $25 per loan. In 1950 our average participation was .408 or an average of $31.13 per loan.

Participations also include any penalties from payoffs as well as late charges.

Our average expense per loan in 1943 was $19.85; in 1950 it was $16.35. The decrease in expense per loan in 1950, as compared to 1943, was caused primarily by the increase in the number of loans serviced and the increase in the average amount per loan. Our average loan in 1943 was $4,725.28 and in 1950 it was $7,619.37.

We constantly strive of course to increase the average amount per loan. For the past several years we have repurchased small loans from the life insurance companies which we represent. You cannot insist that a mortgagor pay off his loan just because it is unprofitable.

On an average, for the past 8 years, any loan with a principal balance of $3,700 or less has been unprofitable for servicing.

On January 1, 1951, our average 505 loan was only $1,098.62. Based upon our costs, we are losing $10.86 per year on these loans, assuming that the principal balance remained constant, which it will not; any further reduction in principal will create a greater loss. If we excluded our 505 loans, our average per loan would be increased $527.35.

You may say that in addition to the 505 loans, we are also servicing FHAs but our idea is that the amount of the 505s and the FHAs should be added and divided by two to get an average. We reach a breaking point on the combined loans when the FHA has been reduced to $6,301.38 and the 505 has a balance of $1,098.62.

Of the number of loans we are servicing, 5.6 per cent are 505s. Yet this only represents 7/10 of 1 per cent of our dollar volume. We are concerned about the number of loans which have been reduced to the point where they become unprofitable to service. We believe that it should be possible to have a clause inserted in the mortgage reading substantially as follows:

"It is further understood and agreed that when the principal balance of indebtedness due hereunder has been reduced to ($) the entire balance shall become due and payable, except that the maker hereof shall have the option to pay the balance then due in quarterly or semi-annual payments over a period not to exceed five years, such payments to bear interest at the rate set forth herein."

This could be handled as an informal extension and by letter without cost to the mortgagor or mortgagee.

In 1943, 65.4 per cent of our total income from the mortgage department was from interest participation and in 1950 it was 68.5 per cent.

Certainly every mortgage banker should be careful not to agree to take servicing at less than standard rates and should strive to maintain an average balance per loan to where it will be a profitable loan—not forgetting of course that amortizations and payoffs will equal 10 per cent to 12½ per cent per year.

Summarizing briefly:

» Interest participations are a fixed rate of return over a long period of time.

» Your chief source of income from your mortgage loan department, over a period of years, is from interest participations.

» The average rate of participation has decreased while expenses of doing business have increased.

» Maintaining substantial average balances per loan is essential.

» A reduction in rate of participation is a dangerous procedure.

It is essential that every mortgage banker keep an accurate cost of operations. If production declines and if his participations and average per loan are below standards, he may find himself with an unprofitable business.

IF YOU WANT ASSISTANCE IN SERVICING, HERE IS SCHEDULE OF FORTHCOMING TRIPS OF DIRECTOR

A CURRENT report on MBA's new Accounting and Servicing division might read that it's "operating at capacity production with demand far in excess or supply" to which might be added that in due time all requests will be filled. But just when, is another question and depends entirely upon when the division's director, Thomas E. McDonald, can schedule a trip to all the sections of the country he has been asked to visit. The department is just a year old and Mr. McDonald has already personally consulted with 133 member firms reviewing their accounting and servicing practices and making suggestions for more efficient procedures. Of these, 87 have been mortgage correspondents, 18 banks and 28 life insurance companies—and in the process he has traveled more than 37,000 miles.

In addition, he has spoken before a number of local mortgage associations, has addressed other organizations in the insurance industry, appeared on most of the MBA clinic programs and spoken at meetings of mortgage correspondents of the life companies. He continues to be available for programs of this kind, always subject of course to the demands of his schedule.

Many requests for his services from specific sections of the country have been made to the national office just after he had visited that area; consequently he could not return immediately. It might be said that members should be advised well in advance when he plans to be in a particular area but in the initial stages of this project that has not always been possible. In the future more definite advance information will be available.

His recent schedule has called for these trips:

Week of July 9-13, Buffalo, and Springfield and Worcester, Mass.

Week of July 16-20, Hartford and New York City.

Week of July 23-27, Newark, Richmond, Raleigh, N. C. and Greensboro, N. C.

This means that he probably will not be back in these areas immediately.

Members in certain other areas should note now his tentative plans for the next eight months — and it should be emphasized immediately that these plans are subject to change. In fact, it is certain that the general schedule given here will not work out exactly this way. But if you live in these areas and want assistance and advice on your present servicing and accounting operations, Mr. McDonald will be glad to call and give you as much time as you require. Rates for his services are very reasonable and are only available on the present basis because this is one of the Association's major activities. You should act now so that he can include you on his itinerary. His schedule shapes up like this:

» AUGUST: 13-14, St. Paul; 15-16, Minneapolis; 17, Sioux City, Ia.; 20, Casper, Wyo.; 22, Helena, Mont.; 23, Spokane, Wash.; 24-29, Seattle; 30, Tacoma; 31, Portland, Ore.

» SEPTEMBER: 4-15, Convention, followed by vacation; 24, Bakersfield; 26-28, Los Angeles.

» OCTOBER: 8, Tucson, Ariz.; 10-11, Denver; 12, Colorado Springs; 15-16, Newkirk, Okla.; 18, St. Louis; 19, Decatur, Ill.; 22-31, Chicago.

» NOVEMBER: 1-10, Detroit; 12-14, Cleveland; 15, Philadelphia; 16, York, Pa.; 19-30, Chicago.

» DECEMBER: 1-31, Chicago.

» JANUARY: Will service member firms throughout Florida.

» FEBRUARY: Clinic meetings and open dates.

» MARCH: Memphis, Ft. Worth, San Antonio and Houston.

By making requests now, Mr. McDonald may be able to re-arrange his schedule to include your firm if time and distance make it possible.

PERSONNEL

AVAILABLE

Mortgage executive, thoroughly experienced in originating, processing and selling mortgages. Age 35; college education. Write Box 225, Mortgage Bankers Association of America, 111 W. Washington St., Chicago 2, Ill.

MBA AND OTHER ASSOCIATIONS

NEW ALL TIME RECORD IN NEW MEMBERS SEEN

Expansion of MBA's membership continues right on into the summer months which in many past years have not been noteworthy for growth. New members admitted this Association year ending August 31 are now considerably ahead of the number admitted in any similar period with every indication that 1950-51 will set a new all-time record. New applications received total 259 as against 224, in the previous year with total membership now standing at 1629. The membership drive, organized and directed by Brown L. Whatley of Jacksonville, Fla., will continue right on to the end of August with the prospect of a highly favorable report for this activity at the Convention.

New MBA members include:

CALIFORNIA: San Diego, Southern California Mortgage and Loan Corporation; San Francisco, Coldwell, Banker & Company; Bakersfield, Bakersfield Savings and Loan Association.

FLORIDA: Miami, Pilot Life Insurance Company, H. B. Carroll, Agent; Miami Beach, Federal Title and Insurance Corporation.

GEORGIA: Augusta, Sherman and Hemstreet, Inc.; Columbus, Southland Mortgage & Security Company; Savannah, Georgia State Savings Bank of Savannah.

ILLINOIS: Chicago, Frank G. Reynolds & Company; Standard Securities & Management Corporation.

INDIANA: South Bend, The National Bank & Trust Company of South Bend.

LOUISIANA: New Orleans, Kostmayer Mortgage Company.

MARYLAND: Baltimore, Real Estate Title Company, Incorporated.

MICHIGAN: Ann Arbor, Ann Arbor Federal Savings & Loan Association.

MINNESOTA: Minneapolis, Knutson Realty Company.

MISSOURI: Centralia, Harry R. Jennings, Realtor; Kansas City, The Kansas City Mortgage Company; St. Louis, General Mortgage Company of St. Louis; Gravois Bank of St. Louis County.

NEW JERSEY: Bloomfield, Bloomfield Savings Bank; Newark, Lawyers-Clinton Title Insurance Company of New Jersey.

NEW YORK: Hempstead, First Federal Savings & Loan Association of Hempstead.

NORTH CAROLINA: Asheville, Imperial Life Insurance Company.

OHIO: Toledo, The Title Guarantee and Trust Company.

TENNESSEE: Knoxville, Park Mortgage Company, Inc.; Tullahoma, Loan Department, E. B. Thoma & Son.

TEXAS: San Antonio, Farm & Home Savings & Loan Association.

VIRGINIA: Richmond, Home Beneficial Life Insurance Company, Inc.; Charlottesville, F. L. Harris Agency; Petersburg, L. W. T. Bulifant, Inc.

WASHINGTON, D. C.: Waggaman-Brawner Realty Corporation; Seattle, Federal Old Line Insurance Company; Union Federal Savings & Loan Association; Pasco, Sherwood & Roberts, Inc., J. David Clancy, Agent; Yakima, Title Guaranty Company; Sherwood & Roberts, Inc., A. H. Hammann, Agent.

WEST VIRGINIA: Huntington, Paul Chapman Realty Company.

WILLIS M. HOLTUM NEW NORTHERN CALIF. HEAD

Willis M. Holtum, northern California mortgage loan supervisor of the Equitable Life Assurance Society, is the new president of the Northern California MBA. He succeeds Willis R. Bryant, assistant vice president of American Trust Company.

Other officers are: Henry R. Ehlers, vice president, Crocker First National Bank, vice president; Kirk Whitehead, partner, Mason McDuffie Company, treasurer, and Clinton C. DeWitt, vice president of East Bay Mortgage Service Inc., secretary.

Directors named were James P. Alger, Marble Mortgage Company: William Aydelott, William Stanwell Company; Eugene S. Cox, Pacific Mutual Life Insurance Company; and Harold E. Edelen, Northwestern Mutual Life Insurance Company.

PAUL BAUER

With deep regret we record the death of Paul Bauer who formerly headed the Minneapolis MBA and this year was president of the Society of Residential Appraisers. He died suddenly of a heart attack at his home in Huntington, West Virginia, where he headed his own mortgage loan and appraisal business.

Mr. Bauer formerly was an instructor in real estate and appraising at the University of Minnesota. In addition to serving as president of Minneapolis MBA, he also headed the Minneapolis Board of Realtors, and was vice president of The Towle Company in Minneapolis. Previously he was associated for 16 years with the mortgage loan department of the Lincoln National Life Insurance Company.

MORTGAGE SEMINAR

(Continued from page 13)

Beth Q. McKinley, Byron Reed Company, Inc.

NEW JERSEY: *East Orange*, Edw. F. Lyman, Home Mortgage, Inc.; *Jersey City*, Jay I. Kislak, J. I. Kislak Mortgage Corp.

NEW YORK: *Brooklyn*, Philip Coombe, South Brooklyn Savings Bank; *New York*, Thos. E. Lovejoy, Jr., The Manhattan Life Insurance Company; Jos. E. Woodruff, New York Life Insurance Company; Meyer Schwartz.

OHIO: *Akron*, John D. Smith, The DeWitt Jenkins Realty Company; *Cincinnati*, James E. Miller, Robert A. Cline, Inc.; *Cleveland*, A. E. Seymour, Almour Mortgages, Inc.

OKLAHOMA: *Oklahoma City*, Albert Mager, Jr., Mager Mortgage Company.

PENNSYLVANIA: *Philadelphia*, W. P. Rogers, Jr., The Western Saving Fund Society of Philadelphia; *Pittsburgh*, J. D. Abbott, Abbott Mortgage Company; Rita Hamm, Provident Trust Company.

(Concluded on page 20)

Headquarters Office Visitors: W. Ross Johnston of Oklahoma City headed for a New York vacation with his family, then on for a motor tour of New England. . . . M. J. Mittenthal of Dallas on his way East "to see first hand what's going on." . . . W. Walter Williams of Seattle also on the way East, then back to Denver for a vacation. Walter, who's headed MBA, the Seattle Chamber of Commerce, the civil defense set-up in his area in the last war, the Committee for Economic Development and just about everything else out in the Pacific Northwest, has recently headed a drive to raise funds in the YWCA building drive. Narrowly missing election as U. S. Senator last time, he is now Republican National Committeeman from the State of Washington. . . . Frederick P. Champ, former MBA president of Logan, Utah, and just elected vice president of the U. S. Chamber, on his way East . . . and W. E. Hey, new president of the Iowa MBA, in Chicago for the MBA Seminar . . . and Charles W. Mead of Omaha, who served on MBA's board for many years, also headed East on business. . . . MBA Vice President Aubrey M. Costa, Dallas, at the national office for two days intensive work on Association affairs.

Plans for the Convention

SAN FRANCISCO — MARK HOPKINS AND FAIRMONT HOTELS — SEPTEMBER 11-14, 1951

MBA SAN FRANCISCO CONVENTION MONTH AND A HALF AWAY SO DON'T DELAY IN MAKING PLANS TO ATTEND

SAN FRANCISCO, where the United Nations was born, will again be the scene of a historic event in American history. On September 4 to 8, the Japanese peace treaty will be signed there with all nations which were at war with Japan participating except possibly Russia and India.

Following this historic event, MBA moves into the Golden Gate City for its 38th annual convention September 11 to 14 and no doubt some members will have arrived in the city before the historic conference closes. Those members who are attending the meeting of the Paramount Fire Insurance Company which precedes our own will of course be there.

» CRUCIAL YEAR FOR US: Our own convention is also historic in a sense since it is the first time we have ever met on the West Coast and comes at a time when the mortgage industry itself has reached a milestone of a sort. The conditions under which it has worked these past several years have changed mightily; and probably at no time in the past have members anticipated an annual forum of discussion about mortgages with quite the eagerness they do this year. The road to the future is at least somewhat obscure with many uncertainties ahead. The drastic change in government fiscal policy is the principal factor in the mortgage market today and no one can say for sure what the ultimate effects will be.

Most mortgage men apparently expect a change this fall in the tight money conditions which have prevailed these past few months; and it is to the Convention that they are looking for guidance as to what to expect in the future.

They are not likely to be disappointed because for our 38th annual meeting members will have an opportunity to hear every phase of the industry explored and discussed by authorities close to the decisions that will be made.

All the principal government agency officials in our industry will be on hand to expound their views and, in addition, many nationally-known figures in other related fields will be there.

» A FULL PROGRAM: The program itself is about a third of a general nature with the remaining two-thirds devoted to problems of immediate consideration within our industry—i.e., legislative developments at the national level, future of interest rates and money supply, possible government actions and plans, servicing, etc.

It's a heavy Convention program but spread out over four days instead of three with plenty of time to see and do many other things. It's also a Convention for the ladies and more of them are coming this year than ever before—at least 600 based on the current count. A number of special social events have been arranged for them and their entire registration fee is being devoted to these affairs.

The Convention is early this year —only about a month and a half away. Which brings up the questions always being asked about this time: have you processed your hotel reservation form? Most members have, but those who have delayed had better act quickly. We're scattered all over San Francisco in many excellent hotels. Our Housing Bureau has already exhausted our allotment in many of them—and we can't get more rooms. So don't delay on this for as much as another day.

» REGISTERED YET? Also, have you sent your advance registration to the headquarters office in Chicago? That's important too because it means getting your name and firm on the list sent to the entire membership in advance of opening and also printed in the program. It means avoiding delay and inconvenience after arrival in San Francisco. So act on that too—$25 for each member and $20 for each lady. The $25 fee includes a ticket to our big social event of the Convention, the buffet dinner September 13. The $20 fee includes a ticket to this event for the lady as well as the bus-and-boat tour and the luncheon and fashion show.

A complete round up of details and news about the Convention will appear in the September issue of *The Mortgage Banker*, published in middle August, so be on the look-out for it.

PEOPLE AND EVENTS

New York Life Insurance Company announced the appointment as treasurer of Charles E. Baldwin, Jr., until recently assistant treasurer and manager of the mortgage loan department of State Mutual Life Assurance Company. He assumes his new post September 4th—exactly 23 years since he joined State Mutual. He graduated from Harvard in 1926 and from the Harvard graduate school of business administration in 1928. He was assistant to the treasurer and then assistant treasurer; and in February of last year was named head of the mortgage loan department.

W. P. Straw, who has been president of Amoskeag Savings Bank in Manchester, N. H., has been elevated to chairman of the board and J. Fred French, who has been vice president, has been named president.

New England Mutual Life Insurance Company named Sherman C. Badger financial vice president and Dwight Foster vice president in charge of real estate and mortgage loans.

Anniversaries: For Holman D. Pettibone, president of Chicago Title and Trust Company, the 40th year of his association with the Company. He has been with the institution one-third of its corporate life. Directors and officers joined in tendering him an anniversary dinner.

ALL ABOARD FOR MBA SPECIAL TRAIN WEST!

THAT MBA special train leaving Chicago Friday morning, September 7 at 11 A.M. will carry a very substantial number of those who will attend the Convention. More than 250 will be aboard when it pulls out of Chicago. It has been completely described in previous issues of *The Mortgage Banker* and in a special folder which the railroad sent to all members earlier this year; but in case you have misplaced it or have failed to act, better write or wire the headquarter office for a copy. You can still get aboard; and while the bedrooms are gone, other good Pullman space is available.

The special arrangements are broken down into three parts, the first being Chicago to San Francisco and returning to Chicago via Yosemite National Park, Los Angeles and the Grand Canyon. Among those you will meet aboard are:

Mr. & Mrs. William T. McCollister and Mr. & Mrs. G. Z. Roberts, Statewide Mortgage Co., Atlanta; Henry A. Miserocchi, General Electric Co., New York; Mr. & Mrs. Frank M. Whiteman, The Summit Mortgage Co., Akron; Mr. & Mrs. Lee E. Ritchey, Whitcomb & Keller Mortgage Co., Inc., South Bend, Ind.; J. H. Grayson, South East National Bank of Chicago; Mr. & Mrs. G. C. Elliott, Great-West Life Assurance Co., Winnipeg, Canada; Mr. & Mrs. D. R. Beaumont, Percy Wilson Mortgage & Finance Co., Chicago.

Mr. & Mrs. Marvin A. Reynolds, Merchants National Bank, Chicago; Mr. & Mrs. Elmer S. Carll, Philadelphia; Carl C. Mullen, Columbia National Life Insurance Co., Boston; Mr. & Mrs. E. W. Hamcke, Fulton Service Corp., Brooklyn; Mr. & Mrs. George C. Johnson and Mr. & Mrs. Alfred R. Marcks, The Dime Savings Bank, Brooklyn; Mr. & Mrs. Robert H. Wilson, Percy Wilson Mortgage & Finance Corp., Chicago; Mr. & Mrs. George S. Kelly, Sharon Mortgage Co., Chicago; Mr. & Mrs. C. T. Leinbach, Jr., Cody Realty & Mortgage Co., Winston-Salem, N. C.

Mr. & Mrs. W. H. Haynes, Third National Co., Nashville; Mr. & Mrs. R. H. Waterfield, Waterfield Mortgage Co., Inc., Fort Wayne, Ind.; Mr. & Mrs. Raymond Lee, Lawyer Title Insurance Corp., Richmond; Mr. & Mrs. Maurice A. Pollak, Draper & Kramer, Inc., Chicago; Mr. & Mrs. W. T. Ratliff, Collateral Investment Co., Birmingham; Mr. & Mrs. Ernest D. Renard and Mr. & Mrs. M. Snyder, The Greater New York Savings Bank, Brooklyn.

Mr. & Mrs. William J. Netherton, Kesselring Netherton Co., Louisville; Mr. & Mrs. M. F. Townsend, First Mortgage Corp., Philadelphia; Mr. & Mrs. Charles H. Purcell, Cafritz Mortgage Corp., Washington, D. C.; Mr. & Mrs. A. C. Bryan, Provident Life & Accident Insurance Co., Chattanooga; J. W. Noel, Champaign, Illinois; Mr. & Mrs. Robert E. Goldsby and Mr. & Mrs. Carton S. Stallard, Jersey Mortgage Co., Elizabeth, N. J.; Helen M. Lawler, Chicago MBA; C. W. Kistler and Mr. & Mrs. Robert S. Kistler, C. W. Kistler Co., Miami; James I. Rothschild, H. F. Philipsborn & Co., Chicago.

Mr. & Mrs. C. R. Davenport, First Mortgage Co., Richmond; Mr. & Mrs. G. Calvert Bowie and Mr. & Mrs. Philip S. Bowie, Washington, D. C.; Mr. & Mrs. Philip H. Hill, Charleston, W. Va.; Mr. & Mrs. G. M. Burlingame, Gordon and Christina M. Burlingame, The Bryn Mawr Trust Co., Bryn Mawr, Pa.; Mr. & Mrs. Bernard A. Epter, Lawrence A. Epter & Associates, New York; Mr. & Mrs. J. H. Kunkle, Union Title & Guaranty Co., Pittsburgh.

Mr. & Mrs. Forrest Briggs, Gary, Ind.; James T. Barnes and Harold Brown, James T. Barnes & Co., Detroit; Fred J. Beyer, Manufacturers National Bank, Detroit; Thomas P. Dowd, Abstract and Title Guaranty Co., Detroit; William A. Howe, Manufacturers National Bank, Detroit; Donal Jenkins, Commonwealth Bank, Detroit; Robert F. Krue, Frank Krue and Co., Detroit.

Ira Hotchkiss, Ira Hotchkiss Co., Detroit; Joel K. Riley, United Savings Bank, Detroit; Herbert Smith, Security Bank, Detroit; Emmett E. Sullivan, City Bank, Detroit; Robert Smith, Union Mortgage Co., Detroit; Mr. & Mrs. E. M. Rosser, Denver; Mr. & Mrs. A. R. Bowler, Denver; Mr. & Mrs. L. J. Woodman, Denver.

Mr. & Mrs. Walter Schmier, Detroit; Stephen G. Cohn, Greenbaum Investment Co., Chicago; Mr. & Mrs. Charles Gebhardt, Jersey Mortgage Company, Elizabeth, N. J.; Mr. & Mrs. Chas. H. Keeling, Louisville; Mr. & Mrs. L. T. Lee, Miami; R. F. Wiencke, New York; Mr. & Mrs. F. C. Smith, The Bowery Saving Bank, New York.

Then there is another group who will be going out on the train with the first group but will be coming back via the Pacific Northwest, Portland, Seattle, Victoria, British Columbia and Grand Coulee Dam. These include:

Mr. & Mrs. Marion C. Crosby, Statewide Mortgage Co., Atlanta; Mr. & Mrs. J. F. Macfarlane, W. A. Clarke Mortgage Co., Pittsburgh; Mr. & Mrs. Eugene Knight and Mr. & Mrs. Gunby Gibbons, Knight, Incorporated, Tampa; Mr. & Mrs. W. C. Nelson, Eberhardt Co., Minneapolis; Mr. & Mrs. F. C. Atwood, Mankato, Minn.; Mr. & Mrs. Byron V. Kanaley, Cooper, Kanaley & Co. Chicago.

Mr. & Mrs. John Dane Sr., Mr. & Mrs. A. K. Northrop, A. K. Northrop Jr. and Jerry Northrop, Dane & Northrop, New Orleans; Mr. & Mrs. J. N. Dykema, National Lumberman's Bank, Muskegon; Robert F. Evans and S. Burrows, Volunteer State Life Insurance Co., Chattanooga; John A. Gilliland, Knight, Orr & Co., Jacksonville; Mr. & Mrs. G. V. Scott, Lawyers Title Insurance Corp., Richmond.

Mr. & Mrs. Dan C. Crane and Mr. & Mrs. Walter Belding, Land Title Guaranty & Trust Co., Cleveland; Mr. & Mrs. R. I. Hall, Hall Investment Co., Tulsa; Mr. & Mrs. Oscar H. Eberhardt, Old National Bank of Evansville, Ind.; Mr. & Mrs. F. Z. Gifford, Republic Realty Mortgage Corp., Chicago; Mr. & Mrs. L. C. Pfefferkorn, Winston-Salem Bond & Mortgage Co., Winston-Salem, N. C.; Mr. & Mrs. S. Van Berschot, Continental Assurance Co., Chicago; Mr. & Mrs. Harold Wadsack, The Deming Investment Co., Oswego, Kansas.

H. Vane Silberstein and Raymond Block, Pittsburgh Mortgage Co., Pittsburgh; Mr. & Mrs. W. N. Pardoe, National Savings Trust Co., Washington, D. C.; Mr. & Mrs. Tom Costello, St. Paul, Minn.; Mr. & Mrs. Newton S. Noble Jr., Chicago; Mr. and Mrs. W. W. McCollum, Arlington, Va.; Mr. & Mrs. Gandy Gibbons, Eugene Knight, Inc., Tampa; Mr. & Mrs. J. M. Hendricks, Commonwealth Life Insurance Co., Louisville.

Mr. and Mrs. Herbert L. Lubs, Carolina National Insurance Co., Charleston, S. C.; Dr. & Mrs. Joseph E. Hughes, The County Trust Co., Tarrytown, N. Y.; L. A. Fischer, H. & Val J. Rothschild, St. Paul Minn.; Robert S. Crane, W. G. Mathes, Inc.; West Palm Beach, Fla.; Mr. & Mrs. Charles H. Robinson, The County Trust Co., Tarrytown, N. Y.; Mr. & Mrs. E. J. Snider and Mr. & Mrs. George D. Anthony, Consolidated Mortgage Co., Cleveland; Mr. & Mrs. M. H. Guillot, Dallas.

Then there is a third group who will also go out on the same train but who, after the convention closes, will return independently or will go on to Hawaii. These include:

Mr. & Mrs. Jay I. Kislak and Mr. & Mrs. Julius I. Kislak, Kislak Mortgage Co., Jersey City, N. J.; R. L. Harrison, Deming Investment Co., Oswego, Kansas; Mr. & Mrs. Jack Robinson and Mrs. J. H. Whitten, Atlanta; Mr. & Mrs. C. G. Benham, Benham Mortgage Co., San Antonio; Mr. & Mrs. John Dane, Jr., Dane & Northrop, New Orleans; Mr. & Mrs. Ward J. Gauntlett, Sharon Mortgage Co., Chicago; Mr. & Mrs. Edward E. Clark, R. Cooper Jr., Chicago.

Mr. & Mrs. James H. Pence, Pence Investment Co., Louisville; Mr. & Mrs. G. H. Beever, Sharon, Mass.; Mr. & Mrs. Frank J. Bell, B. F. Saul Co., Washington, D. C.; Mr. & Mrs. W. L. King, Boss & Phelps Mortgage Co., Washington, D. C.; W. L. Leighly, Dovenmuehle, Inc., Chicago; Mr. & Mrs. W. I. Bashaw, Mager Mortgage Co., Tulsa.

Mr. & Mrs. B. L. Whatley, Mr. & Mrs. J. W. Davin, Mr. & Mrs. J. W. Austin and Mr. & Mrs. J. W. Yates, Stockton, Whatley, Davin & Co., Jacksonville, Fla.; Mr. & Mrs. C. S. Rindsfoos, The Panohio Mortgage Co., Columbus; Mr. & Mrs. John R. McMullen, Washington, D. C.; and Mr. & Mrs. R. O. Fowler, Connecticut General Life Insurance Co., Hartford.

MORTGAGE SEMINAR

(Continued from page 18)

SOUTH CAROLINA: *Greenville*, John R. Folsom, Liberty Life Insurance Company.

TENNESSEE: *Memphis*, Roy W. Kidd, The First National Bank of Memphis; Max B. Ostner, James E. McGehee & Company.

TEXAS: *Dallas*, Lewis Grinnan, Jr., Lewis Grinnan Company; John E. Mangrum, Southland Life Insurance Company; *Houston*, R. P. Russell, T. J. Bettes Company; *San Antonio*, A. H. Cadwallader III, Mortgage Investment Corp.; William R. Hizar, Mortgage Investment Corp.

WASHINGTON: *Seattle*, J. F. Campbell, Seattle Trust and Savings Bank.

WISCONSIN: *Oshkosh*, R. C. Hotaling, Wisconsin National Life Insurance Company.